

Appendix C: Houston Neighborhood Market Drill Down

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by Social Compact

BACKGROUND

Launched in 1990, Social Compact is a coalition of business leaders who have joined forces to promote successful business investment in undervalued communities for the benefit of current residents. Its high-level goal is to ignite private business investment and initiatives that will fuel the long-term competitive strength of lower-income communities. Social Compact has pioneered the Neighborhood Drill Down to address some of the key barriers to private investment in and around inner-city neighborhoods – namely undependable market information and negative stereotypes. The Neighborhood Market Drill Down is a unique market analysis model built on innovative sources of dependable, business-oriented data designed to reveal the fundamental business attributes and market characteristics of urban communities. The Drill Down profile challenges the negative stereotypes that have historically defined inner-city neighborhoods. Poverty and deficiency data are replaced with business indicators of market strength. Some of the best private market analysis models – designed for the suburban market – are adapted to respond to the unique characteristics of the inner city in order to capture density, hidden populations, cash economies and micro-market development patterns that exist below the radar of traditional market information sources.

METHODOLOGY

Unique to the Drill Down, census findings or commercial census upgrades do not serve as the foundation information set. Rather, the Drill Down builds on very current, finely sieved, reality-based market information drawn from a spectrum of diverse commercial, proprietary and local government sources (e.g.: tax assessor, building permit, auto registration, commercial credit companies, realtors, utility, school, police, the INS and IRS). Rather than relying on any one information set, the Drill Down looks for a set of findings that surface from the combined body of data. These findings are then tested against supplemental data (i.e.: Drill Down household income figures for each of the market areas were tested against IRS reported income data for the market) as well as the intuitive knowledge of local market leaders. These findings serve as the foundation for an objective systematic analysis of the business attributes of the markets. At the foundation of the Houston Neighborhood Market Drill Down is a real-estate inventory derived from three core sets of municipal data: tax assessor, building permit and auto registration data. Addresses were further validated using first source credit data. Bottom line, every household count is built on a current address derived from municipal data sources. Supplemental information sources for understanding ethnicity and growth patterns included INS and school enrollment data as well as development activity in the market including property sales, building alterations and new construction. Buying power was assessed based on first source credit data reinforced by Drill Down Cash economy indicators including bill payment patterns, percentage of un-banked households and immigrant populations.

NORTHSIDE VILLAGE

1. Key Consumer Characteristics

In essence this is a strong, young and growing Mexican American and Mexican community of approximately 10,000 households. This is a market that is increasingly younger in age (Drill Down median age is 22 years old versus 28 years in the Census 1990) and generally a family household market, with a significant concentration of households with four or more people – 38.4%.

2. Size

Residential: The Drill Down revealed a market 27.0% larger than Census 2000 – approximately 33,700 people as compared with a Census 2000 finding of 26,500. There was a commensurate variance in household count: Drill Down 9,989 versus the Census 2000 finding 7,906. This is a conservative population count based on documented households.

Density: Approximately 46.2% of the land is non-residential in nature and in light of the lack of zoning there is significant mix of land use in the market. As a result, density appears relatively low when measured on a per-acre basis. Density averages 4.1 households or 13.8 persons per-acre.

Employees: In addition to this residential population, there were 605 documented businesses in the market employing 5,950 people with combined sales revenue of \$1.2 billion. Near Northside's 198 retail businesses generated \$250 million in sales in 2000.

3. Change in Market

Change in Size: The Drill Down population reflects a change in market size from 1990 of 30.4% compared with a 2.7% increase according to Census 2000. **Potential Market Expansion Capacity:** Based on real estate development patterns, current land use and land availability, it is very conservatively projected that this market can support the development of 10.3% or 1,000 more units in the coming ten years. This compares with a Claritas projection of a 0.4% constriction in the market over the next five years.

4. Buying Power

Income: Average household incomes of \$28,474 (adjusted for the cash economy) represent a 31.4% increase over 1990 income of \$21,668. However when inflation adjustments are taken into consideration, incomes fall short of the \$29,509 that would be required to achieve 1990 inflation-adjusted incomes in 2000.

The Cash Economy is a significant factor in this market, contributing approximately \$45.4 million, or 16.0%, to the aggregate household income figure of \$284 million.

Unbanked Households: 43.9% of the households in the market do not have a documented banking relationship.

5. Real Estate Activity

Home Values: Based on all recent (2000 and first half 2001) single-family home sales (181) in the market, home values have appreciated significantly since 1990, 69.3% to a median sales value of \$81,745. Additionally, the permit values of newly constructed single-unit properties (56) reflect a median value of \$53,350.

Owner Occupancy: Homeownership when measured at a building level is far higher – 58.0% – than when

Appendix C

measured at a unit level – 39.0%. This is a function of the housing stock – 40.0% of the units are in 2 – 9 unit buildings in which the owner generally resides in one of the units and rents out the other units.

In light of the fact that the Drill Down uncovered approximately 19.0% or 1,600 more housing units than Census 2000, Drill Down owner occupancy at a unit level is lower (39.0%) than census (48.4%).

6. Market Change Indicators

- Population Growth: 30.4% increase over Census 1990
- Home Value Appreciation: 69.3% over 1990 (based on recent sales)
- Vacancy at a unit level: declined from 13.7% in 1990 to 7.8% in 2000 based on census figures
- Owner Occupancy at a building level: 58.0%
- Building Permits: 8.7% of all buildings had permits

7. Risk/Stability Indicators

- Crime: All crime declined 4% between 1997 and 2000, with property crime down 4.5% and violent crime down 1.7%. The incidence of crime per thousand persons was 48.77 in 2000. This compares with 67.42 incidents of crime per thousand for the City of Houston
- Owner Occupancy: Unit level: 39.0%; Building level 58.0%
- Vacancy at a unit level: declined from 13.7% to 7.8% between 1990 and 2000 based on census.

8. Major surprises and findings dramatically inconsistent with mainstream market research.

In essence, the Near Northside is a far larger market in terms of households/population than reflected by Census 2000 with a very robust retail market. This is a young, Mexican American and Mexican growth market with some very substantial untapped opportunities including a substantially unbanked market (43.9% of households) and over 600 businesses generating more than \$1.2 billion in revenue. Perhaps most significantly, this is a destination market – reflected by the volume of retail sales: \$250 million, a number almost comparable to aggregate household incomes (\$280 million) in the market.